

Buy EUR 28.60 (EUR 26.90) Price EUR 25.00 Upside 14.4 %	Value Indicators: EUR NAV (WRe) 23e: 29.44 FFO-Yield 23e: 27.73	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 3.0 Balance Sheet Score: 3.8 Market Liquidity Score: 0.0	Description: Commercial real estate company focused on retail parks in Northern and Eastern Germany
	Market Snapshot: EUR m Market cap: 110.50 No. of shares (m): 4.42 Freefloat MC: 71.83 Ø Trad. Vol. (30d): 41.69 th	Shareholders: Freefloat 65.0 % MSC Invest GmbH 29.0 % Geminus GmbH 4.0 % Supervisory board 2.0 %	Key Figures (WRe): 2021e LTV: 58.1 % Equity Ratio: 17.8 %

Growth is strong and in line; Rise in underlying acquisition volume possible

Stated Figures Q3/2021:

in EUR m	9M/21	9M/21e	9M/20	+/- in %
Revenues	12,62	12,92	10,28	23%
EBITDA	10,66	10,79	6,50	64%
EBIT	7,52	7,62	4,11	83%
EBT	5,52	5,54	2,51	120%
Net profit	4,27	4,24	1,83	133%
EPS (€)	0,97	0,96	0,42	133%
FFO	5,23	5,24	4,22	24%
FFO-margin	41%	41%	41%	
FFOPS (€)	1,18	1,19	0,96	24%
LTV (%)	58,0%	61,3%	61,3%	
NAV/share (€)	17,76	17,78	15,23	17%

Comment on Figures:

- **Strong 9M revenue growth of 23%** to EUR 12.62m reflects positive portfolio growth and successful optimisation of letting contracts. Significant improvement in reported **EBITDA** of 64% to EUR 10.79m (WRe: EUR 10.79m) and in reported **EBT** of 83% to EUR 5.52m. Figures include a positive impact of EUR 2.6m from the sale of Bleicherode (EUR 2.2m after tax). Adjusted EBT growth stood at ~16%.
- Considering that 9M **net profit** of EUR 4.27m slightly beat our estimates, DEFAMA seems to be well on track to exceed its FY target of EUR 5m.
- Favourable development of **FFO & FFOPS** which showed an increase of 24% and led to a stable FFO margin of 41%.

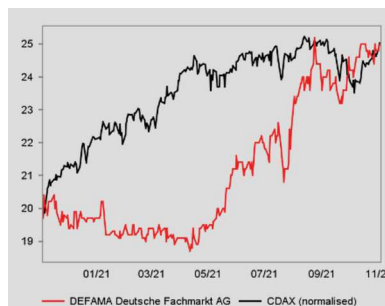
- 2021 guidance for FFO of >EUR 7.1m (WRe: EUR 7.25m) and net profit of >EUR 5m (WRe: EUR 5.13m) was confirmed and seems to be well within reach. The three acquisitions recently announced will presumably contribute to DEFAMA's figures from January 2022 onwards.
- The annualised FFO stands at EUR 8.2m and is therefore already ahead of DEFAMA's FY target (EUR 8m). This figure includes several successful redevelopments and letting activities, e.g. in Löwenberg, Büdelsdorf, Hamm and Gardelegen which will not fully contribute with the complete annualised figure in 2022. For this reason, our FFO estimate for 2022 remains nearly unchanged despite the expectation of higher portfolio growth in 2022. The strengthening of DEFAMA's acquisition team offers additional volume growth potential and also the possibility to sell single properties opportunistically for capital recycling.
- We confirm our Buy recommendation and increase our PT to EUR 28.60 which offers attractive upside for a RE-company of 15%. Higher FV is driven by a rising acquisition volume and a slightly lower FFO-yield requirement of 7.25% in our model (formerly 7.5%) due to an excellent management track-record. Further growth is backed by an attractive acquisition pipeline which could enable a further outperformance of the acquisition volume in 2021 and has already exceeded the upper end of the annual guidance range (EUR 15-20m, 24m ytd).

Changes in Estimates:

FY End: 31.12. in EUR m	2021e (old)	+ / -	2022e (old)	+ / -	2023e (old)	+ / -
Total revenues	17.77	0.0 %	20.11	0.5 %	22.56	3.0 %
FFO I	7.25	0.0 %	8.36	0.6 %	9.46	4.0 %
FFOPS I	1.64	0.0 %	1.89	0.6 %	2.14	4.0 %
Net income	5.13	0.0 %	3.53	0.9 %	4.05	5.3 %
EPS	1.16	0.0 %	0.80	0.9 %	0.92	5.3 %

Comment on Changes:

- We increase our assumption for expected annual acquisition volume from EUR 20m previously, which is the upper end of DEFAMA's guidance, to EUR 22.5m from 2022 onwards as we are assuming higher growth momentum due to additional management capacity.



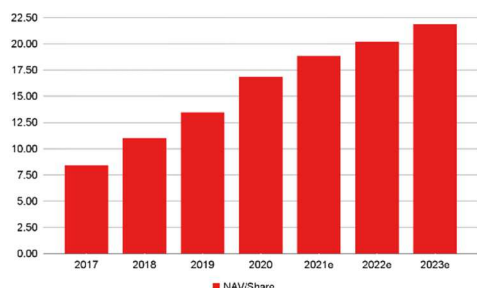
Rel. Performance vs CDAX:

1 month:	-1.5 %
6 months:	24.8 %
Year to date:	13.7 %
Trailing 12 months:	-3.4 %

Company events:

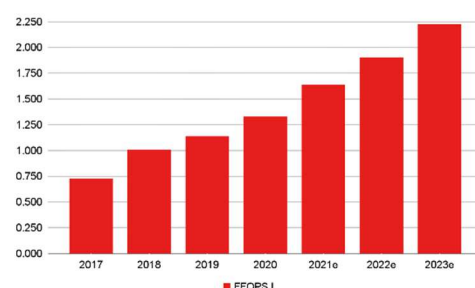
FY End: 31.12. in EUR m	CAGR (20-23e)	2017	2018	2019	2020	2021e	2022e	2023e
Rental income		5.10	7.61	9.53	12.19	14.93	16.98	19.52
Change yoy		67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.7 %	15.0 %
EBIT		2.67	3.59	4.50	5.62	9.28	7.72	8.88
FFO I		2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFO I-margin		50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
EBT		1.77	2.25	2.78	3.49	6.67	4.79	5.69
Net income		1.36	1.68	2.06	2.51	5.13	3.56	4.26
EPS		0.38	0.46	0.51	0.57	1.16	0.81	0.96
FFOPS I		0.73	1.01	1.14	1.33	1.64	1.90	2.23
DPS		0.34	0.40	0.45	0.48	0.55	0.60	0.65
Dividend Yield		3.8 %	3.4 %	2.9 %	2.7 %	2.2 %	2.4 %	2.6 %
Book Value / Share		3.18	4.10	5.50	5.61	6.22	6.43	6.74
P / E		23.2 x	25.0 x	30.1 x	30.9 x	21.5 x	31.0 x	25.9 x
Price / Book		2.8 x	2.6 x	2.5 x	3.1 x	4.0 x	3.9 x	3.7 x
P / NAVPS		1.1 x	1.2 x	1.3 x	1.2 x	1.5 x	1.4 x	1.3 x
FFO I-Yield		8.2 %	8.7 %	7.5 %	7.6 %	6.6 %	7.6 %	8.9 %
ROE		12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
LTV		61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.0 %	59.4 %
Guidance:	2021e: FFO of EUR ~7.1m, Net profit (HGB) of EUR >5.0m							

EPRA-NAV per share development in EUR



Source: Warburg Research

FFO per share development in EUR



Source: Warburg Research

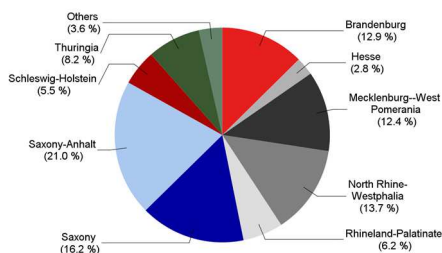
Company Background

- Founded in 2014 and headquartered in Berlin, DEFAMA focuses on the acquisition, ownership and management of retail parks in German small and medium-sized cities, predominantly in Northern and Eastern Germany.
- The investment strategy is to "buy and hold" assets with high occupancy and minor capex needs for a purchase price of ~10x annual rent.
- Investment volumes are EUR 1 - 5 million per asset. Anchor tenants are nationwide retailers.

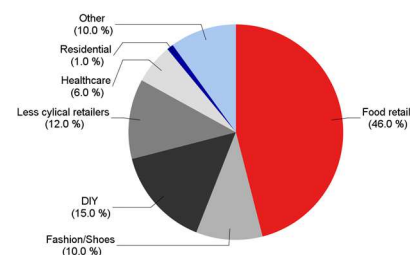
Competitive Quality

- Real estate competence: founder, major shareholder and CEO Matthias Schrade, previously oversaw as a board member responsible for acquisitions for a non-listed real estate company based in Munich.
- Unique focus: the company competes for assets that are too large for individual investors and too small for institutional investors and can "buy low".
- Strong access to local public banks networks, for whom real estate financings for DEFAMA projects are large and important deals. They in turn know smaller tenants well.
- Focus on leading centers in smaller cities ("big fish in a small pond").

Geographical breakdown of rental income % of total rental income



Rental income by sector % of rental income



Source: Warburg Research

Valuation							
	2017	2018	2019	2020	2021e	2022e	2023e
P / E	23.2 x	25.0 x	30.1 x	30.9 x	21.5 x	31.0 x	25.9 x
P / NAVPS	1.1 x	1.2 x	1.3 x	1.2 x	1.5 x	1.4 x	1.3 x
Price / Book	2.8 x	2.6 x	2.5 x	3.1 x	4.0 x	3.9 x	3.7 x
P / FFOPS I	12.2 x	11.5 x	13.4 x	13.2 x	15.2 x	13.1 x	11.2 x
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	6.6 %	7.6 %	8.9 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
Equity Ratio	21 %	19 %	24 %	18 %	18 %	17 %	16 %

Company Specific Items							
	2017	2018	2019	2020	2021e	2022e	2023e
NAV/Share	8.42	11.02	13.46	16.86	18.85	20.22	21.88
Vacancy Rate	2.7 %	4.3 %	4.0 %	3.7 %	3.7 %	4.0 %	4.0 %

Consolidated profit and loss

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Total revenues	5.83	9.09	11.21	14.58	17.77	20.21	23.24
Rental income	5.10	7.61	9.53	12.19	14.93	16.98	19.52
Change yoy	67.9 %	49.2 %	25.1 %	27.9 %	22.5 %	13.7 %	15.0 %
Property operating costs	1.24	2.21	2.63	3.40	4.21	4.69	5.39
Property management costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental profit	4.58	6.87	8.57	11.18	13.56	15.52	17.84
Income from property sales	0.00	0.00	0.00	0.00	2.60	0.00	0.00
Other revenues	0.12	0.08	0.07	0.12	0.25	0.24	0.28
Gross profit	4.70	6.95	8.64	11.30	16.41	15.76	18.12
Administration expenses	0.35	0.70	0.70	0.81	1.00	1.13	1.30
Personnel expenses	0.47	0.72	1.04	1.50	1.83	2.06	2.37
Other operating income/expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unfrequent items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	3.89	5.53	7.04	8.99	13.58	12.57	14.45
Valuation result	0.00	0.00	0.00	0.00	2.60	0.00	0.00
Depreciation of fixed assets	1.22	1.95	2.55	3.36	4.30	4.85	5.58
EBITA	2.67	3.59	4.50	5.62	9.28	7.72	8.88
Amortisation of intangible assets/Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBIT	2.67	3.59	4.50	5.62	9.28	7.72	8.88
Interest income	0.00	0.00	0.01	0.01	0.00	0.00	0.00
Interest expenses	0.90	1.34	1.73	2.14	2.62	2.93	3.19
Other financial income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial result	-0.90	-1.34	-1.72	-2.13	-2.62	-2.93	-3.19
EBT	1.77	2.25	2.78	3.49	6.67	4.79	5.69
Margin	30.4 %	24.8 %	24.8 %	24.0 %	37.5 %	23.7 %	24.5 %
Total taxes	-0.41	-0.55	-0.71	-0.71	-0.71	-1.23	-1.42
thereof cash taxes	-0.28	-0.36	-0.42	-0.42	-0.42	-0.73	-0.87
Net income from continuing operations	1.36	1.70	2.07	2.51	5.14	3.56	4.27
Income from discontinued operations (net of tax)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income before minorities	1.36	1.70	2.07	2.51	5.14	3.56	4.27
Minority interest	0.00	0.02	0.01	0.00	0.00	0.00	0.00
Net income	1.36	1.68	2.06	2.51	5.13	3.56	4.26
Number of shares, average	3.55	3.62	4.05	4.42	4.42	4.42	4.42
FFO (II)	2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.23
EPS	0.38	0.46	0.51	0.57	1.16	0.81	0.96
EPS adj.	0.38	0.43	0.47	0.57	1.16	0.81	0.96

*Adjustments made for:

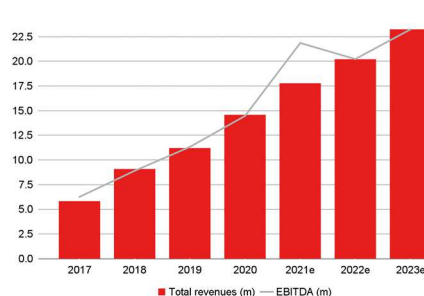
Guidance: 2021e: FFO of EUR ~7.1m, Net profit (HGB) of EUR >5.0m

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Property operating costs / Rental Income	24.4 %	29.1 %	27.6 %	27.9 %	28.2 %	27.6 %	27.6 %
Operating Leverage (Real Estate)	2.4 x	2.9 x	5.0 x	4.6 x	5.5 x	8.5 x	7.8 x
Rental profit / interest expenses	5.1 x	5.1 x	5.0 x	5.2 x	5.2 x	5.3 x	5.6 x

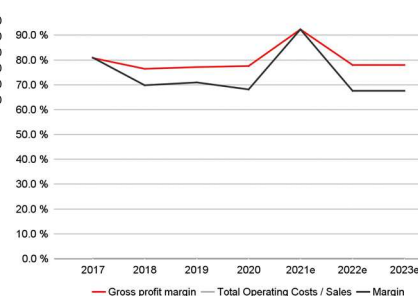
Revenues, EBITDA

in EUR m



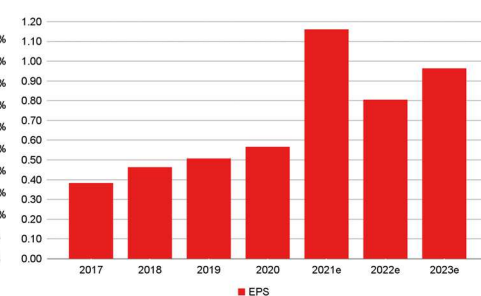
Operating Performance

in %



Performance per Share

in EUR



Source: Warburg Research

Source:

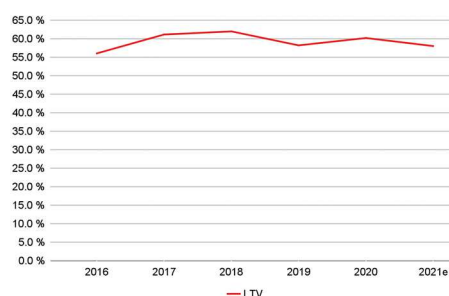
Source: Warburg Research

Consolidated balance sheet

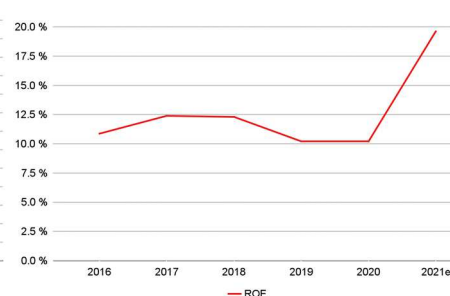
In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Assets							
Goodwill and other intangible assets	0.01	0.01	0.03	0.02	0.02	0.02	0.02
thereof other intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
thereof Goodwill	0.01	0.01	0.03	0.02	0.02	0.02	0.02
Property, plant and equipment	0.03	0.08	0.11	1.39	1.41	1.42	1.43
Investment properties	51.96	81.10	93.14	127.79	141.83	156.75	170.94
Financial assets	0.24	0.26	1.70	0.12	0.45	0.45	0.45
Other long-term assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed assets	52.24	81.44	94.98	129.33	143.71	158.64	172.84
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.22	0.51	0.00	0.80	0.91	0.93	0.95
Liquid assets	2.49	2.80	6.98	4.28	11.46	8.12	8.46
Other short-term assets	0.83	0.59	-2.56	-0.66	-7.95	-4.63	-4.99
Current assets	3.17	4.34	9.29	7.38	13.39	10.07	10.44
Total Assets	55.41	85.79	104.28	136.71	157.10	168.70	183.28
Liabilities and shareholders' equity							
Subscribed capital	3.55	3.90	4.42	4.42	4.42	4.42	4.42
Capital reserve	6.15	10.03	17.31	17.31	17.31	17.31	17.31
Retained earnings	1.59	2.06	2.56	3.07	5.78	6.68	8.07
Other equity components	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Shareholders' equity	11.29	15.99	24.29	24.81	27.51	28.42	29.80
Minority interest	0.10	0.38	0.39	0.40	0.40	0.40	0.40
Provisions	0.36	1.01	0.43	0.51	0.51	0.51	0.51
thereof provisions for pensions and similar obligations	0.18	0.21	0.21	0.25	0.25	0.25	0.25
Financial liabilities (total)	43.07	67.79	76.52	110.25	127.74	138.35	151.43
Short-term financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.19	0.30	0.51	0.29	0.42	0.42	0.42
Other liabilities	0.51	0.70	2.54	0.86	0.92	1.01	1.12
Liabilities	44.13	69.79	79.99	111.91	129.59	140.29	153.48
Total liabilities and shareholders' equity	55.41	85.79	104.28	136.71	157.10	168.70	183.28

Financial Ratios

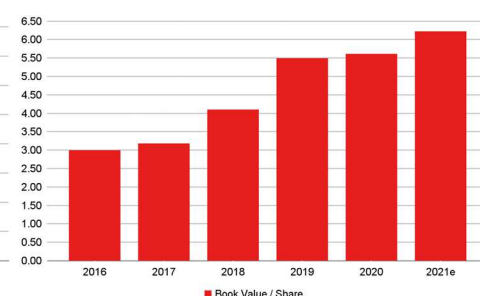
	2017	2018	2019	2020	2021e	2022e	2023e
Return on Capital							
ROA	3.1 %	2.4 %	2.2 %	2.1 %	3.5 %	2.2 %	2.4 %
ROE	12.4 %	12.3 %	10.2 %	10.2 %	19.6 %	12.7 %	14.6 %
FFO I / Equity	0.2 x	0.3 x	0.2 x	0.2 x	0.3 x	0.3 x	0.3 x
Solvency							
Net Debt	40.76	65.20	69.75	106.23	116.53	130.48	143.23
Net Financial Debt	40.58	64.99	69.54	105.98	116.28	130.23	142.97
Net Fin. Debt / EBITDA	10.4 x	11.7 x	9.9 x	11.8 x	8.6 x	10.4 x	9.9 x
LTV	61.1 %	62.0 %	58.2 %	60.2 %	58.1 %	59.0 %	59.4 %
Equity Ratio	20.5 %	19.1 %	23.7 %	18.4 %	17.8 %	17.1 %	16.5 %

LTV

Source: Warburg Research

ROE
in %

Source: Warburg Research

Book Value per Share
in EUR

Source: Warburg Research

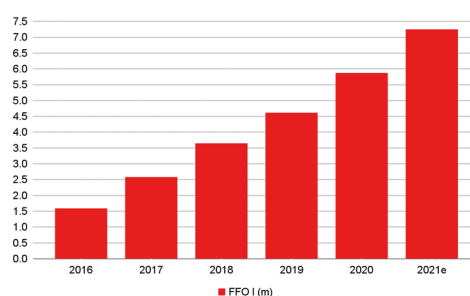
Consolidated cash flow statement

In EUR m	2017	2018	2019	2020	2021e	2022e	2023e
Net cash provided by operating activities [1]	2.76	3.42	3.80	4.96	9.68	8.48	9.91
Net cash provided by investing activities [2]	-21.95	-31.12	-16.09	-37.91	-17.84	-20.00	-20.00
Net cash provided by financing activities [3]	20.23	28.01	16.47	30.25	15.34	8.18	10.43
Change in liquid funds [1]+[2]+[3]	1.03	0.31	4.18	-2.70	7.18	-3.34	0.34
Effects of exchange-rate changes on cash	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalent at end of period	2.49	2.80	6.98	4.28	11.46	8.12	8.46

Financial Ratios

	2017	2018	2019	2020	2021e	2022e	2023e
Cash Flow							
FFO (II)	2.58	3.65	4.62	5.87	7.25	8.41	9.84
FFOPS I	0.73	1.01	1.14	1.33	1.64	1.90	2.23
FFOPS I diluted	0.73	0.94	1.04	1.33	1.64	1.90	2.23
FFO I-Yield	8.2 %	8.7 %	7.5 %	7.6 %	6.6 %	7.6 %	8.9 %
FFO I-margin	50.6 %	47.9 %	48.4 %	48.2 %	48.6 %	49.5 %	50.4 %
Interest Paid / Avg. Debt	2.8 %	2.4 %	2.4 %	2.3 %	2.2 %	2.2 %	2.2 %
Management of Funds							
Capex/Investment Properties	-42.3 %	-38.4 %	-17.3 %	-29.7 %	-12.6 %	-12.8 %	-11.7 %
Avg. Working Capital / Sales	0.7 %	1.4 %	-1.3 %	0.0 %	2.8 %	2.5 %	2.2 %
Dividend Payout Ratio	88.6 %	85.1 %	88.2 %	84.5 %	47.3 %	74.4 %	67.4 %

FFO



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
DEFAMA Deutsche Fachmarkt AG	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A13SUL5.htm

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Rating	Number of stocks	% of Universe
Buy	145	68
Hold	61	29
Sell	6	3
Rating suspended	2	1
Total	214	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	46	78
Hold	11	19
Sell	0	0
Rating suspended	2	3
Total	59	100

PRICE AND RATING HISTORY DEFAMA DEUTSCHE FACHMARKT AG AS OF 03.11.2021

Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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